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C O N F I D E N T I A L UNVIE VIENNA 000198

C O R R E C T E D C O P Y (CHANGED REF AND TEXT IN PARA 3;6;9)

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TAGS: [AORC](#) [ENRG](#) [PREL](#) [KNNP](#) [IAEA](#)
SUBJECT: IAEA/RANF: RUSSIA SEES PROGRESS; BEIJING
INTERLOCUTORS PRAGMATIC

REF: A: UNVIE 154
B: UNVIE 155
C: BEIJING 1120

Classified By: Ambassador Gregory L. Schulte, 1.4 (b) and (d)

¶1. (SBU) Sumamry: Ambassador's recent bilateral exchanges in Vienna and Beijing on multilateral nuclear fuel arrangements included encouraging signs for pragmatic discussion in the June IAEA Board of Governors meeting, paving the way to positive Board action in September. Advancing the dialogue requires Moscow's expected release of its dual agreement texts and the publication of an IAEA Secretariat concept paper for an Agency-administered fuel bank. Advocacy by the Director General and the Russian Government in parallel with ourselves and other like-minded, aimed at leading voices among developing countries, remains crucial. End Summary.

Russians' Path Forward, with Stumbling Blocks

¶2. (C) U.S. and Russian Ambassadors Schulte and Zmeyerovskiy met April 16 with DCMs and mission officers in a Russian-hosted luncheon discussion devoted mostly to the nuclear fuel assurances issue. With regard to the Russian fuel reserve arrangement, structured on a Russia-IAEA "Agreement 1" and an IAEA model "Agreement 2" for supplying recipient states, Zmeyerovskiy said his government was finalizing the two agreement texts with the IAEA and progressing toward inter-agency approval to sign Agreement 1. He did not know if the texts would be circulated to Board member states in time for consideration in the June 15-19 Board meeting, but Russia would like to keep momentum up with a constructive Board discussion in June. (Note: IAEA now understands GOR decided to release the texts. End note.) Zmeyerovskiy said Russia would not circulate an alternative concept paper beyond that which the Board received in February. Our Russian interlocutors saw little more to present beyond the February paper, short of releasing the agreement texts. "The devil is in the details," per Russian DCM Vladimir Sergeev, and the Board needed to see those details in the agreement texts to be able to evaluate them. Zmeyerovskiy anticipated that member states would have to refer the agreements to their own inter-agency stakeholders, going beyond foreign ministries and atomic energy commissions to include, he expected, justice and interior/homeland security ministries.

13. (C) Ambassador Schulte conveyed that IAEA DG ElBaradei intended (per ref A) to have fuel assurances as an agenda item for the June Board meeting, which sub-ticks to discuss the Russian arrangement, an IAEA-administered fuel bank, and, potentially, the UK Nuclear Fuel Assurance concept involving guaranteed export licensing. Zmeyerovskiy observed that Board member states were not and would not be ready to digest and decide on all these concepts in June. Ambassador Schulte noted in reply that he had sought his meeting with ElBaradei in order to convey the first written communication from the Obama Administration to the DG, namely the letter from Secretaries Clinton and Chu commending and encouraging ElBaradei's continued leadership on fuel assurances. The USG hoped, the Ambassador said, that ElBaradei would help us get some decisions from the Board before he departed office, and, although ElBaradei remained reluctant to lobby individual countries, the good news was that the DG was generally "leaning forward." Zmeyerovskiy agreed and expressed the view that ElBaradei wants an achievement in this area to be part of his legacy.

14. (C) Less encouraging was Zmeyerovskiy's survey of the opponents. Recalling recent Russian bilateral discussions with Argentina and Brazil (which we inferred took place in Vienna with resident PermReps), Zmeyerovskiy said with a shake of the head "I could not understand the logic of their position." Both Latin countries had "spoken in generalities" about NPT rights and technological discrimination. Separately, at a dinner with several developing country ambassadors and their UK colleague, Zmeyerovskiy said it had become clear to him how little his Vienna colleagues understood the details of the Russian proposal. Only late into a long night of dialogue, he said, did his counterparts begin recognizing that the Russian proposal was not "dangerous" but rather "in their interest" and not to be ignored. Russia was neither creating competition for the private sector nuclear industry nor creating complications

for the IAEA's mission. Rather, as people came to see the Agency's legal and political role in the Russian arrangement, Zmeyerovskiy concluded, they found it reassuring. He added that Russia was trying to persuade Cuba, a country that, having no nuclear plant, could be agnostic about a fuel bank, to see the interest that other developing states may have in such arrangements and not stand in their way. "I see some positive signs," he said regarding Cuba.

15. (SBU) Ambassador Schulte continued the Russian dialogue during his participation in the April 20-22 Beijing IAEA conference on nuclear power. Joined by ISN/NESS acting director Burkart, the Ambassador met Vladimir Kuchinov of the ROSATOM State Atomic Energy Corporation. Schulte recounted what he understood to be the common U.S.-Russian strategy to push ElBaradei to the front, get specific concepts to the Board for consideration, and to work member states (reassuring skeptics, urging new entrants to nuclear power to show support, and neutralizing troublemakers). The Ambassador urged that Russia engage actively, including with IAEA members like Cuba and Syria, where Russia had more influence than does the U.S. Kuchinov said the GOR's goals were to secure at the June Board the IAEA Secretariat's mandate to conclude an arrangement, and in September to have the Board authorize ElBaradei to sign the agreements. Kuchinov confirmed Russian interagency agreement on the model agreements was still in train. Regarding process and packaging in the Board, Burkart suggested and Kuchinov agreed it would be advantageous to have Chairwoman Feroukhi and the Board discuss ElBaradei's two intended sub-items (for the two concepts) together.

Key Country Policy-Makers Mostly Constructive

16. (SBU) UNVIE defers to Embassy Beijing for comprehensive reporting on the ministerial conference. In formal presentations and bilateral conversations in Beijing, Ambassador Schulte heard the following on fuel assurances from key players:

-- DG ElBaradei made a pitch in his statement from the podium and said he hopes to present two proposals to the Board in June. Privately, ElBaradei told the Ambassador it was up to the USG to deliver the skeptics. The Ambassador urged the DG also to engage, including during his remaining time at the conference.

-- China Atomic Energy Authority Chen and National Energy Administration Vice Administrator Sun Qin said China would "actively participate" in discussion of multilateral assurances in "constructive" way but appeared not to be further briefed on the subject.

-- Indian Atomic Energy Commission chief Anil Kakodkar observed that while large countries will want fuel cycle, small countries will want reactors with an assurance of nuclear fuel.

-- Argentina's Secretary of Energy Daniel Cameron indicated Buenos Aires would be supportive of fuel assurance arrangements if they help countries get access to nuclear energy and do not deny rights. Ambassador assured Cameron that concepts on the table were not aimed at denying rights to Argentina or any other country. Cameron wants to continue consulting with us on the issue, including at upcoming bilateral led on the USG side by ISN/NESS Burkart (likely in June after the Board meeting).

-- Ambassador Schulte briefed Thailand's Minister of Energy Channukul on fuel banks. The minister expressed concern about cartels but added that Thailand would study the concept. Thailand was relying on U.S. private sector consultant Burns and Roe to advise on its national nuclear program. Channukul's deputy Norkun Sittiphong told Embassy Beijing's DoE attach afterwards that the consultant was recommending reliance on the market backed by a fuel bank.

-- Egypt's Minister of Electricity and Energy Hassan Younes said Egypt has no intention to acquire enrichment capabilities and supports fuel banks. (Note: This stands in remarkable contrast to the position staked out by Egyptian Deputy Assistant Minister Khaled Shamma to Ambassador Schulte at the March 17-18 London fuel supply conference). Minister

Younes said he was very appreciative of President Obama's Prague speech and commitment to the goal of zero weapons. Ambassador Schulte noted to Younes the Egyptian MFA was worried about NPT rights in the context of a fuel assurance mechanism and assured him none would be sacrificed.

-- The chairman of Pakistan's Atomic Energy Agency, Ansar Parvez, told the Ambassador he considered a fuel bank a "good idea" but wondered whether the interval between the June and September Board meetings was adequate to consider proposals. Parvez said a lot of confidence-building was required to address latent concerns among developing countries about rights and whether fuel suppliers were trying to advance economic interests. He wanted to know how Pakistan would benefit; AmbassadorSchulte replied each country could assess its specific interests as it reviews the IAEA Secretariats concepts, but that Pakistan would benefit from imitating the spread of enrichment technologies even if it never drew fuel from an IAEA bank.

--Khaled Toukan, Chairman of Jordan's Atomic Energy Commission, in a bilateral meeting with delegations said Jordan was supportive of the fuel assurance concept as long as national rights were not compromised. He undertook to try to have Jordan make a supportive statement at the June Board. Conversely, though, in an intervention from the floor during the conference, Toukan said NPT universalization and disarmament were issues of higher priority than fuel assurances. (Note: This remark, directed at Israel's non-NPT status, drew an affirming nod from Syrian Atomic Energy Commission chief Ibrahim Othman and will be heard frequently from Arab states, even those with a national interest in fuel assurances. End note.)

Follow-Up

¶7. (SBU) IAEA fuel assurances point man Tariq Rauf told Msnoff April 27 that the Agency's Russian interlocutor, MFA Ambassador Berdennikov had confirmed GOR intent to release the two agreement texts in time for Board discussion in June. Rauf anticipated the documents would be out in the week after the NPT PrepCom. He indicated the Secretariat would continue to advocate to Berdennikov that Russia do active outreach to Board members in support of the proposed arrangement.

¶8. (C) On April 30 we recounted to an Argentine Mission Counselor in Vienna (please protect) the substance of Ambassador Schulte's Beijing conversation with Energy Secretary Cameron, reported above. Our counterpart recommended confidentially that the U.S. present the case for fuel assurances -- free of any mandatory forswearing of domestic enrichment -- to nuclear industry and energy policy makers in Buenos Aires. Approaching the right small circle of officials could move our bilateral dialogue to a more pragmatic ground related to the economics and technical realities of nuclear power, which could be reflected in future instructions the Argentine mission here gets on the issue.

¶9. (U) UNVIE coordinated this report with Embassy Beijing.

SCHULTE